



OFFICE OF AUDITOR OF ACCOUNTS

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING SERVICES

MARCH 18, 2011

**OFFICE OF AUDITOR OF ACCOUNTS
FINANCIAL STATEMENT AUDIT**

RFP11-CPA-03

by

State of Delaware
Office of Auditor of Accounts
Townsend Building, Suite 1
401 Federal Street
Dover, Delaware 19901

OFFICE OF AUDITOR OF ACCOUNTS

REQUEST FOR PROPOSALS

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OFFICE OF AUDITOR OF ACCOUNTS
REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

In accordance with 29 *Del. C.* Chapter 69, Subchapter VI, *Professional Services*, the Office of Auditor of Accounts (AOA) is distributing this Request for Proposal (RFP) to, and requesting proposals from qualified certified public accounting firms to perform a financial audit of the Office of Auditor of Accounts for the fiscal years ended June 30, 2011 and June 30, 2012, with the option of renewing for an additional two-year period (subsequent fiscal years) at the AOA's request. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits set forth in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards*.

There is no expressed or implied obligation for AOA to reimburse responding firms for any costs or expenses incurred in preparing proposals in response to this request. AOA will not pay any costs or expenses incurred by any firm associated with any aspect of responding to this RFP, including proposal preparation, printing, or delivery, or the negotiation process. Additionally, no indirect reimbursements (e.g., in the form of credits or reductions to any agreed upon compensation) shall be made to any responding firm by AOA for any such costs or expenses.

A *mandatory* pre-proposal conference for all the firms interested in submitting a proposal will be held at 10:00 a.m. on March 30, 2011, in the Office of Auditor of Accounts' third floor conference room in the Townsend Building, 401 Federal Street, Dover, DE 19901 to answer questions about the audit. After this *mandatory* pre-proposal conference, any inquiries concerning the RFP should be addressed to both of the following AOA personnel.

Kathleen A. O'Donnell, Chief Administrative Auditor
302-857-3919 (kathleen.odonnell@state.de.us)
Candace M. Casto, Senior Manager, Contracts and Administration
302-857-3910 (candace.casto@state.de.us)

To be considered, **three (one original plus two copies)** of the *technical* proposal must be sent to Kathleen O'Donnell, Chief Administrative Auditor, and **three (one original plus two copies)** of the *cost* proposal must be sent to Candace Casto, Senior Manager, Contracts and Administration, at Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, DE

19901 by 3 p.m. (EST) on April 13, 2011. **An electronic copy must also be emailed to the recipients at their email addresses above by the due date.**

ALL PROPOSALS MUST BE DELIVERED TO AOA'S THIRD FLOOR OFFICE IN THE TOWNSEND BUILDING, SUITE 1, 401 FEDERAL STREET, DOVER, DE 19901. IF USING FEDERAL EXPRESS OR ANOTHER COMPANY, PLEASE DO NOT DELIVER TO THE DIVISION OF CORPORATIONS OR ANY OTHER AGENCY IN THE TOWNSEND BUILDING. AOA reserves the right, exercised in its sole discretion, to reject any or all proposals submitted.

Proposals submitted may be evaluated by the following: Chief Administrative Auditor, Senior Manager for Contracts/Administration, Senior Audit Manager, Audit Manager, and/or Audit Supervisor if he/she is in charge or involved with the audit.

During the evaluation process, AOA's staff reserves the right, where it may serve the State of Delaware's best interests, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of AOA staff or the Evaluation Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

AOA reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

It is anticipated the selection of a firm will be completed by April 25, 2011. Following the notification of the selected firm, it is expected a contract will be executed between both parties by May 4, 2011.

B. Term of Engagement

A two-year contract is contemplated, with the option to audit the Office of Auditor of Accounts' financial statements for an additional two-year period (subsequent fiscal years) at the AOA's request, subject to the satisfactory negotiation of terms (including a cost acceptable to both AOA and the selected firm) and the annual availability of an appropriation by the Legislature.

C. Subcontracting

The work will not be subcontracted.

II. NATURE OF SERVICES REQUIRED

A. General

AOA is soliciting the services of qualified certified public accounting firms to perform a financial audit of the Office of Auditor of Accounts' basic financial statements for the fiscal years ended June 30, 2011 and June 30, 2012, with the option to audit the Office of Auditor of Accounts' financial statements for an additional two-year period (subsequent fiscal years) at the AOA's request. AOA uses the First State Financial system that was implemented in July 2010. These audits are to be performed in accordance with the provisions contained in this RFP.

B. Scope of Work

AOA desires the auditor to express an opinion on the fair presentation of the Office of Auditor of Accounts' basic financial statements¹ in conformity with governmental accounting principles generally accepted in the United States of America and auditing standards generally accepted in the United States of America and the standards for financial audits set forth in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards*.

Please note that the CONTRACTOR will not be required to prepare the financial statements. Please refer to Section 3.28 and 3.29 of the *Government Auditing Standards* to ensure compliance with Independence.

C. Auditing Standards

To meet the requirements of this RFP, the audit shall be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

D. Deliverables

The CONTRACTOR shall issue the following reports with the results of the audit.

¹ The AOA is part of the State of Delaware and therefore the basic financial statements for AOA in no way represent a Comprehensive Annual Financial Report and are intended to reflect only activity at AOA. Additionally, these statements will not include MD&A, Required Supplementary Information, Combining Statements & Individual Fund Statements and Schedules, and a Statistical Section.

1. Independent Auditor's Report
2. Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

For financial audits, including audits of financial statements in which auditors provide an opinion or disclaimer, auditors should report, as applicable to the objectives of the audit, and based upon the audit work performed, (1) significant deficiencies in internal controls, identifying those considered to be material weaknesses; (2) all instances of fraud and illegal acts [unless inconsequential]; and (3) violations of provisions of contracts or grant agreements and abuse that could have a material effect on the financial statements.

Significant deficiencies that are also material weaknesses shall be identified as such in the report. A material weakness as defined by the AICPA and GAO standards is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement will not be prevented or detected.

The report on compliance and internal controls shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance and internal controls.

Irregularities and illegal acts. All situations or transactions that come to the auditor's attention that could be indicative of fraud, abuse, illegal acts, material errors, defalcations, or other irregularities shall be promptly reported to AOA and AOA will determine the appropriate course of action.

Reporting to the Auditor of Accounts and Chief Administrative Auditor. The CONTRACTOR shall assure themselves that the Auditor of Accounts and Chief Administrative Auditor are informed of each of the following. It is the responsibility of the CONTRACTOR to provide the communication to the Chief Administrative Auditor. The auditor will provide AOA one copy of the communication listed below.

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates

4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other independent accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

E. Audit Documentation Retention and Access to Audit Documentation

All audit documentation and reports must be retained, at the CONTRACTOR'S expense, for a minimum of three years, unless the firm is notified in writing by AOA of the need to extend the retention period. The CONTRACTOR will be required to make audit documentation available, upon request, to the Office of Auditor of Accounts or their designees such as, but not limited to,

- U.S. Department of Health and Human Services
- U.S. Government Accountability Office (GAO)
- National State Auditors Association (NSAA) Peer Review

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review audit documentation relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Location of Office

The location of the audit will be at 401 Federal Street, Townsend Building, Suite 1, Dover, DE 19901. A designated representative from the agency will coordinate the assistance to the CONTRACTOR.

An organizational chart (Appendix B) is attached.

B. Background Information

The Office of Auditor of Accounts' fiscal year begins on July 1 and ends on June 30. The Office began utilizing the State's new accounting system, First State Financials, on July 19, 2010, when it went live Statewide.

The Office of Auditor of Accounts provides the following services to its citizens:

The mission of the Office of Auditor of Accounts is to benefit all Delaware citizens and government leaders and managers by providing high quality audit, review, and investigative services to improve the fiscal integrity and the efficiency, economy, and effectiveness of State government operations.

More detailed information on the government and its finances can be found in

- **AUDITEE’S WEBSITE**
 - **Office of Auditor of Accounts**
<http://www.auditor.delaware.gov/default.shtml>
- **BUDGET ACT**
 - **FY 2011 Budget Act**
[http://legis.delaware.gov/LIS/lis145.nsf/vwLegislation/SB+310/\\$file/legis.pdf?open](http://legis.delaware.gov/LIS/lis145.nsf/vwLegislation/SB+310/$file/legis.pdf?open)
- **DELAWARE CODE**
 - **Auditor of Accounts**
<http://delcode.delaware.gov/title29/c029/index.shtml>
- **BUDGET AND ACCOUNTING MANUAL**
<http://budget.delaware.gov/accounting-manual/account-manual.shtml>

C. Basis of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles.

D. Pension Plans

The Office of Auditor of Accounts participates in the State of Delaware’s Pension Plan which is a cost-sharing single employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities. More information can be obtained on the Office of Pension’s website at <http://www.delawarepensions.com/>.

E. Availability of Prior Reports and Audit Documentation

Interested proposers who wish to review prior audit documentation should contact Candace M. Casto, CGFM, Senior Manager, Contracts and Administration at candace.casto@state.de.us and 302-857-3910.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

- Request for proposal issued March 18, 2011
- *Mandatory* Pre-proposal conference March 30, 2011
- Due date for proposals April 13, 2011

B. Notification and Contract Dates

- Selected firm notified April 25, 2011
- Contract date May 4, 2011

C. Date Preliminary Audit Planning May Commence

August 1, 2011

D. Entrance Conferences, Progress Reporting, and Exit Conferences

An entrance and exit conference must be held with the department's key personnel. The CONTRACTOR shall provide the auditee with a list of all information to be provided and conduct a status meeting. The CONTRACTOR must keep the auditee updated on the progress of the audit.

E. Reports

1. Draft Reports - The CONTRACTOR shall email the draft report and management letter, if applicable, to the Chief Administrative Auditor; Senior Audit Manager, Contracts & Administration; and assigned Audit Manager for their review and approval along with a copy to Kimberly Zink, Support Services Administrator (kimberly.zink@state.de.us).

- Fiscal Year 2011 October 3, 2011
- Fiscal Year 2012 October 1, 2012

2. Final Reports – The final report and management letter, if applicable, must be emailed in a PDF format to the AOA, Kimberly Zink, Support Services Administrator (kimberly.zink@state.de.us) by the following dates.

- Fiscal Year 2011 November 30, 2011
- Fiscal Year 2012 November 30, 2012

V. ASSISTANCE TO BE PROVIDED TO THE CONTRACTOR AND REPORT PREPARATION

A. Assistance to the CONTRACTOR

Key personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the CONTRACTOR. The cost of confirmations must be in the all-inclusive cost.

B. Report Preparation

Report preparation, editing, and printing shall be the responsibility of the CONTRACTOR. **Reports must be formatted in accordance with AOA's Style Guide.** The draft report must have a supervisory and technical review before it is submitted to AOA.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. *Mandatory* Pre-proposal Conference

Firms interested in submitting a proposal must attend a *mandatory* pre-proposal conference on March 30, 2011, at 10:00 a.m. in the Office of Auditor of Accounts' third floor conference room in the Townsend Building, 401 Federal Street, Dover, DE 19901. Both verbal and written questions will be accepted during the conference. Representatives of the Office of Auditor of Accounts will be available at the conference to discuss their operations.

2. Inquiries

Inquiries concerning the RFP and the subject of the RFP must be made to:

Kathleen A. O'Donnell, CPA-PA, CISA, CGFM, CGAP
Chief Administrative Auditor
302-857-3919
kathleen.odonnell@state.de.us

AND

Candace M. Casto, CGFM
Senior Manager, Contracts and Administration
302-857-3910
candace.casto@state.de.us

Direct contact with State of Delaware or AOA employees other than the above-referenced contacts regarding this RFP is expressly prohibited without prior consent. Firms contacting State of Delaware or AOA employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State of Delaware who require contact in the normal course of business.

3. Submission of Proposals

To be considered, all proposals must be in a sealed technical envelope and a sealed cost envelope clearly marked with the following:

- **AOA Name and Address**
- **RFP Reference Number**
- **State on each envelope either a “Technical Proposal” or a “Cost Proposal.”**

To be considered, all proposals must be submitted by the due date listed in Section IV, A. to AOA’s third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901, in writing and respond to the items outlined in this RFP using the following required format. AOA reserves the right to reject any non-responsive or non-conforming proposals, as well as proposals received after the specified date and time. By submitting a proposal, and in consideration of AOA’s efforts and representations with respect to the review and evaluation of its proposal, the firm expressly agrees to be bound by the terms and conditions of this RFP in the event it is selected for the engagement. The

following material is required to be received by the due dates listed for a firm to be considered.

B. Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Office of Auditor of Accounts in conformity with the requirements of this RFP. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should list the particular staff to be assigned to this engagement, and specify an audit approach that will meet the RFP requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the RFP (excluding any cost information which should only be included in the sealed dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included in the required format. Those subjects represent the criteria against which the proposal will be evaluated.

1. Required Format – The proposer shall submit **three copies (one original plus two copies)** of a sealed Technical Proposal to include the following: **An electronic copy must also be emailed to the recipients at their email addresses by the due date.**

- a. Title Page

Title page showing RFP subject; RFP reference number; the firm's name; the contact's name, address, telephone number, and e-mail address; and the date of the proposal. The transmittal letter must also clearly state and justify any exceptions to the requirements of the RFP that the applicant may have taken in presenting the proposal.

- b. Table of Contents

Table of contents should clearly identify each section by page number.

c. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it is best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for one month after the due date of proposal.

d. Detailed Proposal

The proposal must conform to the proposal requirements of the RFP. AOA specifically reserves the right to waive any informalities or irregularities in the proposal format. The detailed proposal should follow the order set forth in Sections VI B and C of this RFP.

2. Mandatory Criteria (all criteria must be met or the proposal cannot be considered)

a. Independence

The firm should provide an affirmative statement that it is independent of the Office of Auditor of Accounts as defined by the U.S. Government Accountability Office's *Government Auditing Standards*.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the Office of Auditor of Accounts for the past five years, together with a statement explaining why each such relationship does not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the Office of Auditor of Accounts written notice of any professional relationships before they are entered into during the period of this agreement.

b. License to Practice in Delaware

The applicant must provide evidence of a valid Delaware CPA license or authorization to practice in the State of Delaware from the National Association of State Board of Accountancy (NASBA) for the engagement partner and manager/supervisor in-charge as

well as a business license for the firm.

3. Firm Qualifications, Experience, and Requirements

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time basis, and the number and nature of the staff to be employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements. The firm must also include a copy of the letter of comments, if applicable.

The firm shall certify that it has not been suspended or debarred from performing government audits or from other government activity. In addition, the firm shall certify that it has not been the subject of any disciplinary action or inquiry in any jurisdiction during the past three years.

The firm must certify that it shall maintain such insurance as will protect against claims under Worker's Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under this Contract. The Contractor is an independent contractor and is not an employee of the State.

The Contractor shall, at its expense, carry insurance of minimum limits as follows:

- a. Commercial General Liability..... \$1 million per claim/
\$3 million aggregate
- b. Professional Liability..... \$1 million per claim/
\$3 million aggregate

The Contractor shall provide evidence of such insurance.

4. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each person is registered or licensed to practice as a certified public accountant in the State of Delaware. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit and whether or not that person, within the past three years, has been the subject of any disciplinary action or inquiry in any jurisdiction.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

The proposer should identify the extent to which staff to be assigned to the audit reflect the State of Delaware's commitment to Affirmative Action.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of AOA. However, in either case, AOA retains the right to approve or reject replacements and the replacements must have substantially the same or better qualifications or experience.

Consultants and firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of AOA, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

5. Prior Engagements with AOA

List separately all engagements within the last three years, ranked on the basis of total staff hours, for AOA by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from

which the engagement was performed, and the name and telephone number of the principal client contact.

6. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last three years that are similar to the engagement described in this RFP. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this RFP.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

- c. Sampling methodology and the extent to which sampling is to be used in the engagement.
- d. Extent of use of auditing software in the engagement.
- e. Type and extent of analytical procedures to be used in the engagement.
- f. Approach to be taken to gain and document an understanding of the auditee's internal control structure and test related controls (including IT structure and controls). Also, discuss COSO criteria and approach to understand internal controls using this criteria.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.

- h. Approach to be taken to manage the engagement process and ensure time and staff commitments required to meet AOA deadlines.

8. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the auditee.

C. Cost Proposal

The proposer shall submit **three copies (one original plus two copies)** of a sealed Cost Proposal to include the following:

SEALED DOLLAR COST BID
PROPOSAL
FOR
OFFICE OF AUDITOR OF ACCOUNTS
FOR
PROFESSIONAL AUDITING SERVICES
APRIL 13, 2011

The sealed envelope shall contain the name and address of the proposing firm and the sealed dollar bid shall include the following:

1. Total All-Inclusive Maximum Cost

The sealed dollar cost bid should contain all cost information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum cost to be bid is to contain all direct and indirect costs including all out-of-pocket expenses **for each fiscal year. The CONTRACTOR must use Appendix A to submit their cost information.**

AOA will not be responsible for expenses incurred in preparing and submitting the sealed technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm.
 - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with AOA.
 - c. A Total All-Inclusive Maximum Cost **for each fiscal year.**
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the sealed dollar cost bid must include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix A), that supports the total all-inclusive maximum cost.

3. Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Cost and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence) will be reimbursed at the prevailing rates used by the State of Delaware for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the sealed dollar cost bid in the format provided in the attachment (Appendix A). All expense reimbursements will be charged against the total all-inclusive maximum cost submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging, and subsistence at the prevailing rate used by the State of Delaware for its employees.

4. Rates for Additional Professional Services

If it should become necessary for AOA to request the CONTRACTOR to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the Agreement between AOA and the firm. Any such additional work agreed to between AOA and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments up to 90 percent will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Invoices shall cover a period of not less than a calendar month and must include the following: (1) name of auditee/engagement; (2) amount and if it's a progress or final invoice; and (3) a breakdown of staff and hours for each. Ten percent of the contract amount will be retained until the Exit Conference has been held and the final reports have been reviewed and accepted by AOA.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and dates of all out-of-pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

D. Submission of Proposals

All completed sealed proposals must be delivered in person, by mail, or by carrier service (e.g., FedEx, UPS, etc.) to the following AOA personnel at AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Please do not have the proposals delivered to the Division of Corporations.

Technical Proposal

Kathleen A. O'Donnell, CPA-PA, CISA, CGFM, CGAP
Chief Administrative Auditor
302-857-3919
kathleen.odonnell@state.de.us

Cost Proposal

Candace M. Casto, CGFM
Senior Manager, Contracts and Administration
302-857-3910
candace.casto@state.de.us

Any proposal submitted by mail shall be sent by either certified or registered mail to AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Any proposal received after the above date shall not be considered and shall be returned unopened. The proposing firm bears the risk of delays in delivery.

E. Modifications to Proposals

Any changes, amendments, or modifications to the proposal must be made in writing, submitted in the same manner as the original response and conspicuously labeled as a change, amendment, or modification to a previously submitted proposal. Changes, amendments, or modifications to proposals shall not be accepted or considered after the time and date specified as the deadline for submission of proposals.

VII. EVALUATION PROCEDURES

A. Evaluation Committee

Proposals submitted will be evaluated by an Evaluation Committee selected by AOA, which may consist of AOA and auditee personnel.

The Evaluation Committee may negotiate with one or more of the qualified firms during the same period and may, at its sole discretion, terminate negotiations with any and all firms at any time.

B. Review of Proposals

Proposals that do not meet or comply with the instructions of this RFP may be considered non-conforming and deemed non-responsive and subject to disqualification at the sole discretion of the Evaluation Committee.

The Evaluation Committee will use a point formula during the review process to score proposals. All assignments of points shall be at the sole discretion of the Evaluation Committee. Each member of the Evaluation Committee will first score each technical proposal by each of the criteria described in Section VII C below. The full Evaluation Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at an average technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the cost bid. The maximum score for cost will be assigned to the

firm offering the lowest total all-inclusive maximum cost. Appropriate fractional scores will be assigned to other proposers.

AOA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected and regardless of any statement of contention by a proposer to the contrary.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Only firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and cost. The following represent the principal selection criteria that will be considered during the evaluation process.

1. Mandatory Elements

All firms are required to meet these elements. No points assigned.

- a. The applicant must provide evidence of a valid Delaware CPA license or authorization to practice in the State of Delaware from the National Association of State Board of Accountancy (NASBA) for the engagement partner and manager/supervisor in-charge as well as a business license for the firm.
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the State of Delaware.
- c. The firm meets the continuing professional education standards of the *Government Auditing Standards*.
- d. The firm adheres to the instructions in this RFP on preparing and submitting the proposal.
- e. The firm has an internal quality control system in place and has had an external quality control review performed within the last three years or is currently under contract to have one performed. Please submit a copy of the firm's last external quality control review report (including the letter of comments, if applicable). The firm has a record of quality audit work.
- f. The firm has the following minimum limits in insurance:
 - (1) Commercial General Liability..... \$1 million per claim/
\$3 million aggregate

(2) Professional Liability.....\$1 million per claim/
\$3 million aggregate

g. The firm has not been suspended or debarred from performing government audits or from other governmental activity.

h. The firm has not been the subject of any disciplinary action or inquiry during the past three years.

2. Technical Qualifications: (Maximum Points - [90])

a. Expertise and Experience

(1) The firm's past experience and performance on comparable government engagements.

(2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

b. Audit Approach

(1) Adequacy of proposed staffing plan for various segments of the engagement

(2) Compliance with *Generally Accepted Auditing Standards*

(3) Compliance with *Government Auditing Standards*

3. Cost

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION
OF AN AUDIT FIRM

Cost scores will be based on the number of proposals accepted and reviewed. The maximum score for cost will be assigned to the firm offering the lowest total all-inclusive maximum cost. Appropriate scores will be assigned to other proposers (e.g., if there are 10 proposals accepted and reviewed, then the firm with the lowest all-inclusive cost will be assigned 10 points, and the next lowest would be assigned 9 points, etc.).

D. Reservation of Rights

The Evaluation Committee reserves the right to:

1. Select for contract or for negotiations a proposal other than that with the lowest costs.
2. Reject any and all proposals or portions of the proposals received in response to this RFP or to make no award or issue a new RFP.
3. Waive or modify any information, irregularity, or inconsistency in proposals received.
4. Request modification to proposal from any or all contractors during the review and negotiation.
5. Negotiate any aspect of the proposal with any firm and negotiate with more than one firm at the same time.

The Evaluation Committee reserves the right to reject any proposal from a firm who:

1. Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of the contract or subcontract;
2. Has been convicted under State or Federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offenses indicating lack of business integrity or business honesty that currently and seriously affects responsibility as a State contractor;
3. Has been convicted or has had a civil judgment entered for a violation under State or Federal antitrust statutes;
4. Has violated contract provisions such as:
 - a. Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract;
 - or
 - b. Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;

5. Has violated ethical standards set out in law or regulation;
6. Any other cause listed in regulations of the State of Delaware determined to be serious and compelling as to affect responsibility as a State contractor, including debarment by another governmental entity for cause listed in the regulations.

E. Oral Presentations

During the evaluation process, the Evaluation Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Evaluation Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations. All costs associated with participation in oral presentations conducted for the State of Delaware are the firm's responsibility.

F. Confidentiality of Documents

All documents submitted as part of the firm's proposal will be deemed confidential during the evaluation process. Proposals will not be available for review by anyone other than AOA and the Evaluation Committee or its designated agents. There shall be no disclosure of any firm's information to a competing firm prior to award of the contract.

The State of Delaware is a public agency as defined by state law, and as such, it is subject to the Delaware Freedom of Information Act, 29 *Del. C.* Ch. 100. Under the law, all the State of Delaware's records are public records (unless otherwise declared by law to be confidential) and are subject to inspection and copying by any person. Vendor(s) are advised that once a proposal is received by the State of Delaware and a decision on contract award is made, its contents will become public record and nothing contained in the proposal will be deemed to be confidential except proprietary information.

Firms shall not include any information in their proposal that is proprietary in nature or that they would not want to be released to the public. Proposals must contain sufficient information to be evaluated and a contract written without reference to any proprietary information. If a firm feels that it cannot submit its proposal without including proprietary information, it must adhere to the following procedure or their proposal may be deemed unresponsive and will not be recommended for selection. Firm(s) must submit such information in a separate, sealed envelope labeled "Proprietary Information" with the RFP number. The envelope must contain a letter from the firm's legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not "public record" as defined by 29 *Del. C.*

§ 10002(d), and briefly stating the reasons that each document meets the said definitions.

G. Final Selection

The AOA will select a firm based upon the recommendation of the Evaluation Committee. Neither AOA nor the Evaluation Committee nor the State of Delaware has any obligation to provide any firm with information or documentation related to the selection process and its decision with respect to this RFP beyond that which is described and required in this RFP or required by applicable law.

It is anticipated that a firm will be selected by April 25, 2011. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 4, 2011.

H. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

AOA reserves the right without prejudice to reject any or all proposals.

VIII. CONTRACT CONDITIONS

The firm awarded the contract will be required to enter into a written agreement with AOA. AOA reserves the right to incorporate standard State of Delaware contractual provisions into any contract negotiated as a result of a proposal submitted in response to an RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by AOA. The firm shall be referred to as "CONTRACTOR" in the agreement.

The selected firm will be expected to enter negotiations with AOA, which will result in a formal agreement between the parties. Procurement will be in accordance with the subsequent contracted agreement. This RFP and the selected firm's response to this RFP will be incorporated as part of any formal agreement.

If the firm to whom the contract is awarded fails to enter in the agreement as herein provided, the award will be annulled and an award may be made to another firm. Such firm shall fulfill every stipulation embraced therein as if they were the party to whom the first award was made.

The selected firm under this RFP shall be subject to contractual provisions, in a form substantially similar to the following, as well as those agreed to by the parties and not specifically described herein.

A. Term

The term of the contract between the successful firm and AOA shall be determined by AOA with consideration of the agency's request. The agreement may be terminated by AOA at any time by giving written notice to the CONTRACTOR of such termination. Upon such termination, the CONTRACTOR will be paid for the hours of work actually completed.

In the event the successful firm materially breaches any obligation under this Agreement, the CONTRACTOR shall not be relieved of any liability to the State of Delaware for damages suffered by it by virtue of any such breach. AOA may withhold any payments to CONTRACTOR for the purpose of set off for such damages.

B. Compensation

AOA agrees to pay CONTRACTOR compensation calculated solely on the amount of audit work performed by firm's staff, based on actual hours billed and hourly rates as set forth in Appendix A herein, as well as approved out-of-pocket expenses.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and dates of all out-of-pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

C. Non-Appropriation

In the event the General Assembly fails to appropriate the specific funds necessary to enter into or continue the contractual agreement, in whole or in part, the agreement shall be terminated, as to any obligation of the State of Delaware requiring the expenditure of money for which no specific appropriation is available at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.

D. Notice

Any notice to AOA required under this Agreement shall be in writing and sent by regular mail and registered mail to:

Attention: R. Thomas Wagner, Jr.
Auditor of Accounts
Townsend Building, Suite 1
401 Federal Street
Dover, DE 19901

E. Formal Contract and Purchase Order

The successful firm shall promptly execute an agreement incorporating the terms of this RFP within twenty days after the award of the contract. No bidder is to begin any service prior to receipt of a State of Delaware purchase order signed by two authorized representatives of the agency requesting service, properly processed through the State of Delaware Accounting Office and the (Agency). The purchase order shall serve as the authorization to proceed in accordance with the bid specifications and the special instructions, once it is received by the successful firm.

F. Indemnification

By submitting a proposal, the proposing firm agrees that in the event it is awarded a contract, the CONTRACTOR shall defend, indemnify and save harmless the State from and against all liability, damages, costs or expenses, causes of actions, suits, judgments, losses, and claims including reasonable attorneys' fees, brought against the State arising out of or resulting from the performance of the auditing services by Contractor under the Agreement resulting from this RFP to the extent caused by Contractor's negligence or arising from any breach or default Contractor under such Agreement. The foregoing obligation of Contractor to defend, indemnify and hold harmless the State shall not extend or apply to any claim alleging that the State's financial statements are inaccurate or incomplete or were not prepared in accordance with generally accepted accounting principles. Further, in no event will Contractor indemnify and hold harmless the State from any claims or liabilities resulting from the acts of the State.

G. Compliance

In performance of the contract the firm is required to comply with all applicable federal, state and local laws, regulations, policies, guidelines and requirements of the jurisdiction in which the Agreement is performed, as well as all applicable professional conduct rules and guidelines. The cost of permits and other relevant

costs required in the performance of the contract shall be borne by the successful firm. The firm shall be properly licensed and authorized to transact business in the State of Delaware as provided in Section 2502 of Title 30 of the Delaware Code and other applicable statutes and regulations.

H. Insurance

The firm recognizes that it is operating as an independent contractor (and not an employee of the State of Delaware) and that it is liable for any and all losses, penalties, damages, expenses, attorney’s fees, judgments, and/or settlements incurred by reason of injury to or death of any and all persons, or injury to any and all property, of any nature, arising out of the contractor’s negligent performance under this contract, and particularly without limiting the forgoing, caused by, resulting from, or arising out of any act of omission on the part of the contractor in their negligent performance under this contract.

The firm must certify that it shall maintain such insurance as will protect against claims under Worker’s Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under the Agreement. The firm is an independent contractor and is not an employee of the State of Delaware.

The firm shall, at its expense, carry insurance of minimum limits as follows:

Commercial General Liability.....	\$1 million per claim/ \$3 million aggregate
Professional Liability.....	\$1 million per claim/ \$3 million aggregate

The firm shall provide a certificate of insurance as proof that the firm has the required insurance.

I. Non-Discrimination

In performing the services subject to this RFP, the firm agrees that it will not discriminate against any employee or applicant for employment because of race, creed, age, marital status, religion, color, sex, genetic information, national origin, or disability. The successful firm shall comply with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practice. Failure to perform under this provision constitutes a material breach of contract.

J. Covenant Against Contingent Fees

The successful firm warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement of understanding for a commission or percentage, brokerage or contingent fee excepting bona-fide employees, bona-fide established commercial or selling agencies maintained by the bidder for the purpose of securing business. For breach or violation of this warranty, AOA shall have the right to annul the contract without liability or at its discretion to deduct from the contract cost or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

K. Contract Documents

The RFP, the Purchase Order and the executed Agreement between AOA and the successful firm shall constitute the Contract between AOA and the firm. In the event there is any discrepancy between any of these contract documents, the following order of documents governs so that the former prevails over the latter: Agreement, Purchase Order, and RFP. No other documents shall be considered. These documents contain the entire agreement between AOA and the firm. Firm agrees to be bound by the terms of this RFP pending final execution of the Agreement by the parties.

L. Applicable Law

The laws of the State of Delaware shall apply, except where Federal law has precedence. The successful firm consents to exclusive jurisdiction in the State of Delaware and agrees that any litigation relating to this Agreement shall be filed and litigated in a court in the State of Delaware.

M. Scope of Agreement

If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to the law.

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE FISCAL YEARS 2011 AND 2012
FINANCIAL STATEMENTS

	<u>Hours</u>	<u>Standard</u> <u>Hourly</u> <u>Rates</u>	<u>Quoted</u> <u>Hourly</u> <u>Rates</u>	<u>Total</u>
Partners				
Managers				
Supervisory staff				
Staff				
Other (Specify) _____				
Sub Total				
Travel expenses				

Total all-inclusive maximum cost for Fiscal Year(s) Audit

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum cost.

APPENDIX A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE DEPARTMENT OF XYZ
FOR FISCAL YEARS 20____ - 20____

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partner	10	\$ 195	\$ 180	\$ 1,800
Manager	15	\$ 175	\$ 150	\$ 2,250
Supervisor				\$ 7,875
Senior				\$ -
Staff				\$ 4,263
Other (Specify)				\$ -
Sub Total				<u>\$ 16,188</u>
Travel expenses				\$665

Total all-inclusive maximum cost for Fiscal Years 20____ - 20____ Audit	<u><u>\$ 16,853</u></u>
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Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum cost.

We will accept the State of Delaware's prevailing rates for travel reimbursement.

OFFICE OF AUDITOR OF ACCOUNTS
ORGANIZATIONAL CHART

